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63rd ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1969

The
Coniagas
MINES, LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1969

To be submitted to the
63rd ANNUAL GENERAL MEETING
OF SHAREHOLDERS
at
TORONTO, ONTARIO
on
FEBRUARY 16, 1970

HEAD OFFICE
Suite 903, 330 Bay Street, Toronto

Directors and Officers

M. J. BOYLEN, D.C.I., D.Sc., Chairman of the Board and Director, Toronto, Ontario
C. S. KENNEDY, C.A., President and Director - - - - - Toronto, Ontario
R. J. ISAACS, B.A.Sc., P.Eng., Vice-President and Director - - - Toronto, Ontario
D. W. GORDON, F.C.I.S., Secretary-Treasurer and Director - - - Toronto, Ontario
C. B. BRANNIGAN, Director - - - - - Toronto, Ontario

Auditors

LOFTUS A. ALLEN & CO. - - - - - Toronto, Ontario

Registrar and Transfer Agent

GUARANTY TRUST COMPANY OF CANADA - - - - - Toronto, Ontario

THE CONIAGAS MINES, LIMITED

Letter to the Shareholders

We are presenting herewith your Company's financial statements and your auditors' report for the year ended December 31, 1969.

At the last annual general meeting Snyder, Craig & Co. tendered their resignation as the Company's auditors and Loftus A. Allen & Company were appointed in their place.

As of the year end the following properties were held:—

Dorion Island, Red Lake, Ontario: Thirty-one claims held under patent or licence of occupation. These claims originally were staked as a gold prospect but are thought to have some potential for base metals as well.

Hoyles Bay Claims, McDonough Township, Red Lake Area, Ontario: Six mining claims held under patent or licence of occupation. These claims also were originally staked as a gold prospect but are considered to have some potential for base metals.

Manitouwadge Lake Claims, Thunder Bay, Ontario: Four mining claims held under patent and licence of occupation. These are in the same area as the Geco and Willroy Copper, zinc producing properties.

Rotondo Claims, Rouyn Area, Quebec: Held as a copper prospect under development licence covering four mining claims.

Lesueur Mining Property, District of Abitibi East, Quebec: Held under mining concession. This is the Company's former silver, lead, zinc producer which was closed down in 1967.

Eastnor Township Property, Bruce County, Ontario: Two one hundred acre farms acquired as a zinc prospect.

Johan Beetz Area, St. Lawrence North Shore, Quebec: Fifty mining claims held under development licences as a uranium prospect.

Sturgeon River Property: Consisting of thirty-five mining claims held under mining leases. This property is a former gold producer which was closed in 1942 and acquired by your Company in 1967. It contains proven ore reserves.

Grand Rapids Area, Manitoba: Three hundred and seventy mining claims held jointly with Northern Canada Mines, Limited subject to a 10% prospector's interest. This is a base metal prospect.

Honeywell Township, Woman Lake Area, Ontario: Seventy-nine mining claims held jointly with Northern Canada Mines, Limited as a base metal prospect.

In addition, an option is held on a one hundred acre property in Marmora Township where copper, zinc, silver values are sought.

Surface work is planned on the Honeywell Township claims to further assess the mineralized area after break-up this coming Spring.

A contract has been let for a joint magnetic and electro-magnetic survey to be carried out in the Grand Rapids Area of Manitoba and as this letter is being written the survey should be getting underway. As previously advised these claims are located in what is thought to be an extension of the Mystery Lake belt where the Thompson, Manitoba ore bodies of International Nickel and Falconbridge are located. Your claims are surrounded by ground being investigated by Amex and Cominco. Falconbridge have announced the finding of a nickel mine on the belt a short distance to the north.

The Marmora Township property is receiving further study.

Since the year end your Company, in conjunction with Grandroy Mines Limited and Northern Canada Mines, Limited, has acquired, through staking, four separate blocks of claims totalling 150 in all. These properties are located on the North end of the favourable belt of the Sturgeon Lake area. On the South

Letter to the Shareholders (Continued)

end of the favourable belt, Mattagami Mines and Abitibi Paper Company have recently discovered a major ore body of zinc, lead, copper, silver and gold. Diamond drilling of this ore body is proving it to have large tonnage.

The claims in which your Company is participating were investigated with aerial electro-magnetic and magnetic surveys in 1962 by Northern Canada Mines and several favourable anomalies were indicated. The surveys were made because in 1958 high grade float was found which was never traced to its source. Your Company, Grandroy, and Northern Canada Mines now have the ground with the anomalies that could be the source. The best sample of the float assayed as follows:—

<u>Gold</u>	<u>Silver</u>	<u>Copper</u>	<u>Lead</u>	<u>Zinc</u>
.55 ozs.	5.47 ozs.	2.56%	6.68%	5.87%

Your Company and Grandroy each hold 40% interest in the 150 claims, and Northern Canada Mines a 20% carried interest. Northern Canada has spent considerable money in investigating and aerial surveying of the area and when Coniagas and Grandroy have spent as much money proportionate to their interest as Northern Canada Mines, then Northern Canada Mines becomes responsible for 20% of expenditures.

A central camp has been erected and a crew of ten men are linecutting and doing ground geophysical work to pinpoint the airborne anomalies on the ground. Diamond drilling is to start immediately after this work is completed which will be about a month from this date.

Quebec Sturgeon River Mines Limited: Your Company's holding of shares of this company's capital stock remains at 950,013 shares but because of its issuance of shares to the public during 1969, your percentage holding has been reduced from 50.15% to 38.6%. During the year it carried out diamond drilling on its group of claims at Gull Pond, Newfoundland adjoining the Gullbridge mine, but was unable to complete the program. Some of the targets can only be reached from the ice of Gull Pond which did not form in sufficient thickness in 1969 to carry the weight of the drilling rig.

The Company's holding of corporation bonds and debentures was reduced during the year by sales and maturities and the proceeds reinvested in short term notes. Shares were taken up under the rights offering of Big Nama Creek Mines Limited, but otherwise no changes were made in the share portfolio.

As previously advised our plans call for an intensified and accelerated search for mineral deposits during the coming year.

Respectfully Submitted,

M. J. BOYLEN,
Chairman of the Board.

C. S. KENNEDY,
President.

TORONTO, Ontario,
January 30, 1970.

THE CONIAGAS

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CONSOLIDATED BALANCE SH

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ASSETS

Current Assets	1969	1968
Cash	\$ 12,908	\$ 50,795
Accounts receivable	3,045	2,076
Short-term notes receivable	675,000	530,000
Accrued interest and dividends	7,748	16,431
Prepaid insurance	7,684	7,648
	<u>\$ 706,385</u>	<u>\$ 606,950</u>
 Shares in and Advances to an Affiliated Company (Note 4)		
Quebec Sturgeon River Mines Limited		
950,013 shares — at cost	\$ 332,010	\$ 340,892
(Quoted market value \$152,002 — 1968 \$247,003)		
Advance	—	24,911
	<u>\$ 332,010</u>	<u>\$ 365,803</u>
 Investments (Note 2)		
Corporation bonds — at cost	\$ 37,477	\$ 129,471
(Quoted market value \$26,969 — 1968 \$107,338)		
Shares of other mining companies — at cost less depletion	405,749	404,073
(Quoted market value \$552,102 — 1968 \$545,704)		
	<u>\$ 443,226</u>	<u>\$ 533,544</u>
 Other Assets (Note 3)		
Surface lands, mining properties and claims, mining plant and miscel- laneous equipment, stores and supplies	\$ 573,416	\$ 573,513
	<u>\$2,055,037</u>	<u>\$2,079,810</u>

The attached notes form an integ

AUDITORS' REPORT

We have examined the consolidated balance sheet of THE CONIAGAS MINES, LIMITED and source and application of funds for the year then ended. Our examination included a general review we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of funds for the year then ended, in accordance with generally accepted accounting principles applied explained in note 6 with which we concur.

Toronto, Ontario,
January 14, 1970.

INES, LIMITED

(Incorporated in the Province of Ontario)

AS AT DECEMBER 31, 1969

(Consolidated with subsidiaries for 1968)

LIABILITIES

Current Liabilities

	1969	1968
Accounts payable and accrued liabilities	\$ 5,280	\$ 17,526

SHAREHOLDERS' EQUITY

Capital

Authorized		
5,000,000 Common shares without par value		
Issued		
2,984,034 Common shares	\$2,901,775	\$2,901,775
Contributed Surplus (Note 5)	8,800	8,800
Deficit (Note 6)	(860,818)	(848,291)
	<u>\$2,049,757</u>	<u>\$2,062,284</u>

Approved on behalf of the Board:

M. J. BOYLEN, Director

C. S. KENNEDY, Director

<u>\$2,055,037</u>	<u>\$2,079,810</u>
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of these financial statements.

THE SHAREHOLDERS

subsidiary as at December 31, 1969 and the consolidated statements of profit and loss, deficit and the accounting procedures and such tests of accounting records and other supporting evidence as

companies as at December 31, 1969 and the results of their operations and the source and use of their basis consistent with that of the preceding year except for the change in accounting practice

LOFTUS A. ALLEN & COMPANY,
Chartered Accountants.

THE CONIAGAS MINES, LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31, 1969

(with comparative figures for 1968)

	1969	1968
Revenue		
Interest and dividend income	\$ 52,498	\$ 44,501
Expenditures		
Mine maintenance	\$ 13,118	\$ 14,509
Administrative expenses	27,035	30,303
Mining licenses and capital and place of business tax	3,149	3,632
Prospecting and exploration costs	20,617	30,129
Gasoline tax recovery	—	(38,022)
	<u>\$ 63,919</u>	<u>\$ 40,551</u>
Net Profit or (Loss) for the year	<u>\$ (11,421)</u>	<u>\$ 3,950</u>

CONSOLIDATED STATEMENT OF DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1969

(with comparative figures for 1968)

	1969	1968
Balance — beginning of year (note 6)	\$ 848,291	\$ 858,405
Add:		
Net profit or (loss) for the year	(11,421)	3,950
(Loss) on sale of fixed assets and supplies	—	(4,832)
Profit or (loss) on sale of investments	(1,106)	10,996
Balance — end of year	<u>\$ 860,818</u>	<u>\$ 848,291</u>

THE CONIAGAS MINES, LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1969

(with comparative figures for 1968)

	1969	1968
Source of Funds		
Net profit (loss) for the year	\$ (11,421)	\$ 3,950
Add: Items not requiring a cash outlay		
Depreciation	97	121
Depletion on dividends	410	400
Miscellaneous adjustments	(6)	54
Funds available from operations	\$ (10,920)	\$ 4,525
Proceeds from sale of inventory and fixed assets	—	2,398
Repayment of advance	24,911	—
Proceeds from sale of investments	99,776	71,650
	<u>\$ 113,767</u>	<u>\$ 78,573</u>
Application of Funds		
Purchase of investments	\$ 2,086	\$ —
Advances to affiliated company	—	1,341
Loss or write down of mining stores and supplies to realizable value	—	3,946
Reclassification of mining stores and supplies	—	35,054
	<u>\$ 2,086</u>	<u>\$ 40,341</u>
Increase in working capital	\$ 111,681	\$ 38,232
Working capital — beginning of year	589,424	551,192
Working capital — end of year	<u>\$ 701,105</u>	<u>\$ 589,424</u>

THE CONIAGAS MINES, LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1969

1. BASIS OF CONSOLIDATION

The consolidated financial statements combine the accounts of the Company with those of its wholly owned subsidiary, The Coniagas Reduction Company Limited (incorporated under the Laws of Canada).

2. INVESTMENTS

The following is a list of investments held:

	Market Value	Book Value	
	1969	1969	1968
Corporation Bonds, at cost			
Canadian Pacific Railway Company \$5,000, 4%, due December 1, 1969	\$ —	\$ —	\$ 5,000
T. Eaton Acceptance Corporation \$7,500, 4¼%, due March 1, 1974	6,244	7,477	7,471
T. Eaton Realty Company \$10,000, 5%, due March 15, 1973	8,725	10,000	10,000
Industrial Acceptance Corporation \$87,000, 5½%, due July 2, 1973	—	—	87,000
British Columbia Electric \$20,000, 4½%, due August 1, 1986	12,000	20,000	20,000
	<u>\$ 26,969</u>	<u>\$ 37,477</u>	<u>\$ 129,471</u>
Shares of other companies			
Mining — at cost less depletion			
600 Dome Mines Limited	\$ 29,850	\$ 3,338	\$ 3,578
500 Kerr Addison Mines Limited	6,250	480	620
2,000 Macassa Mines Limited	2,800	3,537	3,567
Mining — at cost			
1,000 Barnat Mines Limited	520	253	253
26,713 Big Nama Creek Mines Limited	6,144	8,345	6,259
15,093 Escrowed shares of Big Nama Creek Mines Limited not valued	—	—	—
500 Cochenour Willans Gold Mines Limited	320	1,215	1,215
718 Milestone Exploration Limited	72	1	1
265,000 First Maritime Mining Corporation Limited	503,500	388,400	388,400
14,723 K. B. Mining Company Limited	1,178	2	2
11,146 Escrowed shares of K. B. Mining Company Limited — not valued	—	—	—
100 McMarmac Red Lake Gold Mines Limited	3	13	13
18,063 Newnorth Gold Mines Limited	1,264	1	1
1,750 Nudulama Mines Limited	201	1	1
4,092 Maylac Mines Limited	—	163	163
	<u>\$ 552,102</u>	<u>\$ 405,749</u>	<u>\$ 404,073</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In accordance with the Company's practice, 50% of dividend income received from other mining companies has been credited against the cost of the shares of these mining companies as "depletion". The amount so credited in 1969 was \$410 (1968 — \$400).

The quoted market value for the shares of First Maritime Mining Corporation Limited, because of the large block involved, is not necessarily indicative of the amount that might be realized if this investment was sold.

3. OTHER ASSETS

	1969	1968
Surface Land, Mining Properties and Claims		
In the Province of Ontario		
County of Bruce		
2 lots of farm land held in fee simple — at cost	\$ 9,140	\$ 9,140
District of Thunder Bay		
35 Mining leases in the Township of Elmhirst, Irwin, Pifher and Walters — at cost (note 6)	282,002	282,002
In the Province of Quebec		
Bachelor Lake Area		
1 Mining concession, in the Township of Lesueur, at written down value	1	1
Miscellaneous mining claims in Ontario, Quebec and Manitoba at nominal values	7	7
	<u>\$ 291,150</u>	<u>\$ 291,150</u>
Mine buildings, surface structures and equipment, mining stores and supplies located at the Bachelor Lake Area property where active operations ceased in 1967, at estimated realizable value	281,770	281,770
Furniture and fixtures at cost of \$6,266, less accumulated depreciation \$5,770 (1968 — \$5,673)	496	593
	<u><u>\$ 573,416</u></u>	<u><u>\$ 573,513</u></u>

4. AFFILIATED COMPANY

The Company's holding of the capital stock of Quebec Sturgeon River Mines Limited remains at 950,013 shares but, because of its issuance of shares to the public during 1969, the percentage holding has been reduced from 50.15 to 38.6%. The investment was presented as an unconsolidated subsidiary in 1968. The quoted market value, because of the large block of shares involved, does not necessarily indicate the amount that might be realized if this investment were sold.

5. CONTRIBUTED SURPLUS

In 1965 there was a capital reorganization which resulted in a decrease of \$3,982,500 in the net book value of the capital stock and a transfer of this amount to contributed surplus. At the same time, \$3,973,700 in respect of costs of mining properties were written off reducing this surplus to the current balance of \$8,800.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. CHANGE IN ACCOUNTING CONSISTENCY

The shareholders of the Company, at the special general meeting held on June 23, 1967, adopted a resolution to negotiate the purchase of 35 mining leases in the Thunder Bay District of Ontario from Quebec Sturgeon River Mines Limited and to negotiate the cancellation of all or any part of Quebec Sturgeon River Mines Limited's indebtedness to this Company. Although subsequently finalized in two documents, the purchase of the leases and the forgiveness of the indebtedness were interdependent and hence the cost to the Company of the leases was \$282,002, being the amount of the indebtedness plus incidental expenses.

On the financial statements as at December 31, 1967 and 1968, the mining leases were shown "at a cost of \$25,533 plus appraisal increase credit of \$256,469" or a total of \$282,002. The statement presentation for December 31, 1969 (with comparative figures for 1968 restated) has been revised to eliminate the appraisal increase credit and the corresponding loss on the forgiveness of the indebtedness previously charged to deficit.

7. MISCELLANEOUS

Total remuneration paid to directors, senior officers and the five highest paid employees was \$23,627 (1968 — \$24,733).